

**Tennessee Bureau of Investigation
For the Years Ended
June 30, 2000, and June 30, 1999**

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Charles K. Bridges, CPA
Assistant Director

Kandi B. Thomas, CPA
Audit Manager

Herb Kraycirik, CPA
In-Charge Auditor

Kevin Fearn
William Johnson
Amy Mallicote
Judy Tribble
Staff Auditors

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

**John G. Morgan
Comptroller**

October 8, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Larry C. Wallace, Director
Tennessee Bureau of Investigation
901 R. S. Gass Boulevard
Nashville, Tennessee 37216

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Bureau of Investigation for the years ended June 30, 2000, and June 30, 1999.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/nle
01/058



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 741-3697
FAX (615) 532-2765**

October 8, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Bureau of Investigation for the years ended June 30, 2000, and June 30, 1999.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Tennessee Bureau of Investigation's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Tennessee Bureau of Investigation is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The bureau's administration has responded to the findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the bureau's internal controls and/or instances of noncompliance to the Tennessee Bureau of Investigation's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/nle

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Bureau of Investigation
For the Years Ended June 30, 2000, and June 30, 1999

AUDIT SCOPE

We have audited the Tennessee Bureau of Investigation for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of compliance with the Financial Integrity Act, compliance with Policy 22 of the Department of Finance and Administration, expenditures, confidential bank accounts, equipment, deferred revenue, information systems, revenue, and the Uniform Crime Report. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

AUDIT FINDINGS

The Bureau Has Not Complied With the Provisions of the Financial Integrity Act

The bureau did not prepare and submit the internal control review report that was due December 31, 1999, until March 2001 (page 4).

The Bureau Leased Office Space Without Obtaining Proper Approval

The bureau leased office space in Cookeville before it had requested approval from the

Department of Finance and Administration (page 14).

The Bureau Did Not Maintain Accountability Over the Equipment That It Is Leasing From the Office for Information Resources in the Department of Finance and Administration

The bureau cannot locate equipment that it is leasing from the Office for Information Resources (page 11).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Tennessee Bureau of Investigation
For the Years Ended June 30, 2000, and June 30, 1999

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Tennessee Bureau of Investigation

For the Years Ended June 30, 2000, and June 30, 1999

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee Bureau of Investigation. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The mission statement of the Tennessee Bureau of Investigation is “That guilt shall not escape, nor innocence suffer.” In order to fulfill this mission, the bureau has four major divisions: Criminal Investigation, Forensic Services, Information Systems, and Administrative Services.

The Criminal Investigation Division is responsible for providing professional expertise in the investigation of crimes and criminal activity and for responding to emergencies and unusual events or incidents. The Criminal Investigation Division is organized into four units: the Field Investigation Unit, the Criminal Intelligence Unit, the Workers’ Compensation Fraud Unit, and the Medicaid Fraud Control Unit.

The Forensic Services Division is responsible for maintaining up-to-date forensic laboratories for processing and analyzing biological, chemical, and physical evidence in criminal cases. The Forensic Services Division comprises a central laboratory in Nashville; three regional laboratories in Jackson, Chattanooga, and Knoxville; and a Violent Crime Response Team.

The Information Systems Division consists of the Records and Identification Unit, the Law Enforcement Support Unit, the Application Development and Systems Operations Unit, and the Crime Statistics Unit and has the responsibility to oversee crime information functions of TBI and the entire Tennessee criminal justice community. The Tennessee Bureau of Investigation received National Incident Based Reporting System (NIBRS) certification on June 30, 1998, from the Federal Bureau of Investigation.

The Administrative Services Division is responsible for providing technical and administrative support to all areas of TBI. The Administrative Services Division is divided into the Fiscal Office, Personnel Office, and Internal Audit Office.

In November 1997, the Tennessee Bureau of Investigation received its reaccreditation by the Commission on Accreditation for Law Enforcement Agencies, Inc. TBI is one of five state criminal investigation agencies in the nation to achieve accreditation.

An organization chart of the department is on the following page.

AUDIT SCOPE

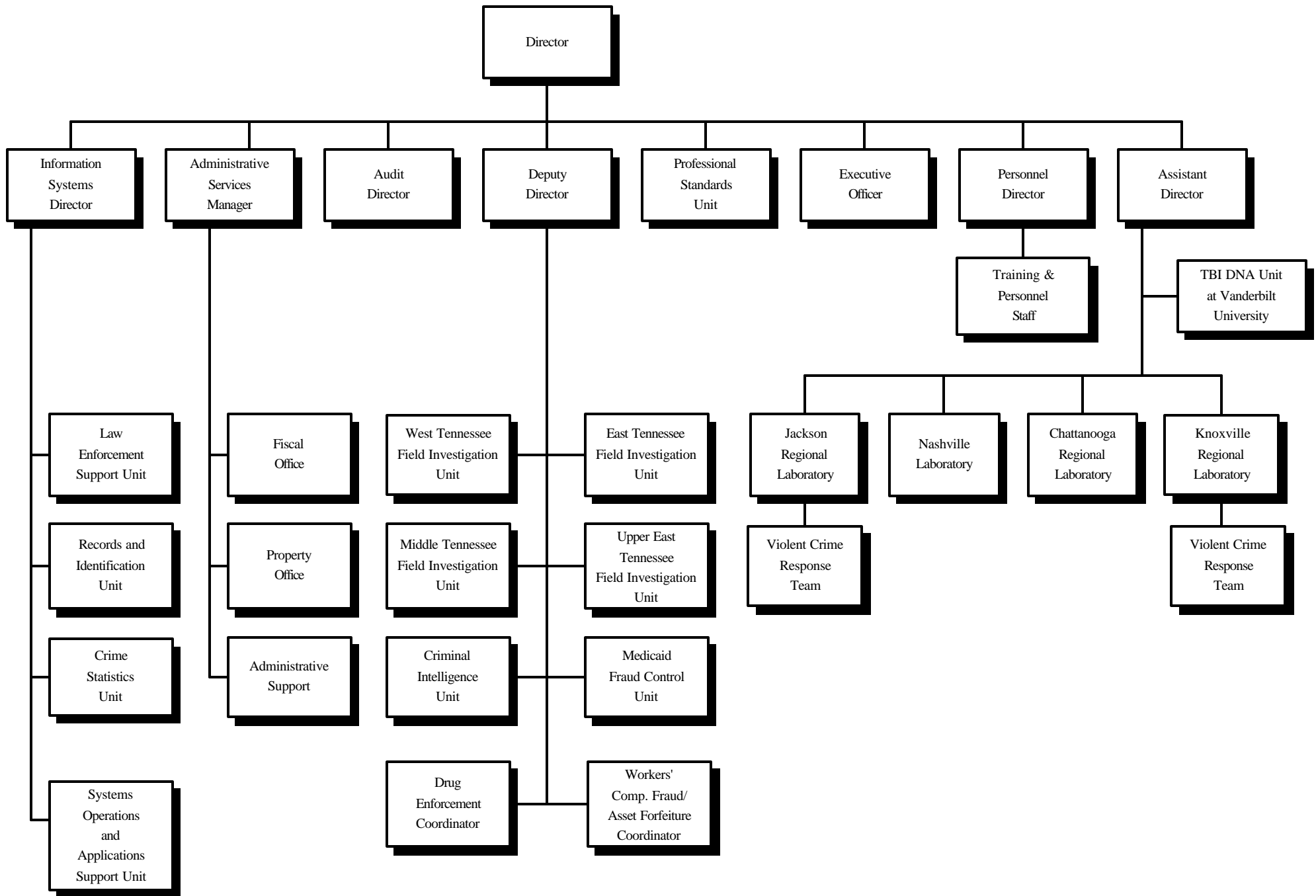
We have audited the Tennessee Bureau of Investigation for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of compliance with the Financial Integrity Act, compliance with Policy 22 of the Department of Finance and Administration, expenditures, confidential bank accounts, equipment, deferred revenue, information systems, revenue, and the Uniform Crime Report. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

TENNESSEE BUREAU OF INVESTIGATION

ORGANIZATION CHART



OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

FINANCIAL INTEGRITY ACT

Our objectives in reviewing compliance with the Financial Integrity Act focused on determining whether

- management performed an internal control evaluation and submitted by December 31, 1999, a report to the Commissioner of the Department of Finance and Administration and the Comptroller of the Treasury which summarized the results of this evaluation; and
- management submitted by June 30, 1999, and June 30, 2000, a letter to the Commissioner of the Department of Finance and Administration and the Comptroller of the Treasury which acknowledges management's responsibility for maintaining proper internal controls.

We interviewed key bureau personnel to gain an understanding of the bureau's procedures and controls related to the above areas. We then reviewed the report and the letters that had been submitted to determine if the report and the letters complied with the Act, and that the report and letters were submitted timely.

We found that the letters that were due June 30, 1999, and June 30, 2000, contained the proper wording and were submitted timely. The internal control evaluation report that was due December 31, 1999, was not done until March 16, 2001. See the following finding:

1. The bureau failed to comply with the provisions of the Financial Integrity Act

Finding

The bureau did not prepare and submit a report by December 31, 1999, to the Commissioner of the Department of Finance and Administration and the Comptroller of the Treasury. The bureau submitted the report on March 16, 2001, approximately 14 months late.

Section 9-18-104(b), *Tennessee Code Annotated*, requires the head of each executive agency to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter, which states that

- a. The agency's systems of internal accounting and administrative control comply with the requirements specified in this chapter; or

- b. The agency's systems of internal accounting and administrative control do not fully comply with such requirements.

In the event that the agency's systems do not fully comply with such requirements, the report shall include and identify any material weaknesses in the agency's systems of internal accounting and administrative control and the plans and schedule for correcting such weaknesses.

Recommendation

The director should ensure that each assistant director within the bureau completes an evaluation and submits it to the director in time for the director to evaluate each report and submit a bureau-wide report by the December 31 deadline.

Management's Comment

We concur. This was an unintentional omission. In the future, the Bureau will ensure that all required form letters will be submitted to both the Commissioner of the Department of Finance and Administration as well as to the Comptroller of the Treasury as prescribed in the Financial Integrity Act.

Auditor's Comments

Management should continue to ensure that the evaluation of the bureau's internal accounting and administrative control is conducted in accordance with the prescribed guidelines.

DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 22, "SUBRECIPIENT MONITORING"

The Department of Finance and Administration Policy 22 establishes guidelines for uniform monitoring of subrecipients that receive state and/or federal funds from state departments, agencies, and commissions. Our objectives focused on determining whether

- the bureau identified its subrecipients, and
- the bureau submitted to the Department of Finance and Administration on a timely basis the required subrecipient monitoring plans and monitoring reports beginning in 1998.

We interviewed key personnel to gain an understanding of the bureau's procedures and controls concerning Policy 22. We obtained a listing of all expenditures charged to grants and subsidies. TBI

paid the Regional Organized Crime Information Center (ROCIC) a total of \$3,871,442 and \$4,806,380 for fiscal years ending June 30, 2000, and June 30, 1999. We examined the grant agreements with ROCIC and concluded that the organization met the definition of a subrecipient. Although the bureau charged the expenditures to grants and had grant agreements with the organization, it considered ROCIC to be a vendor and did not submit the plans and reports required by the policy. The issue has been reported to management in a separate letter.

EXPENDITURES

The objectives of our review of expenditures controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- management controls over expenditures and accounts payable were adequate;
- access to state computer applications was properly restricted;
- duties involved in the processing of expenditures and accounts payable were adequately segregated;
- expenditures were properly supported, recorded, and approved; and
- expenditures complied with applicable state laws and regulations.

We interviewed key personnel to gain an understanding of management controls and other relevant procedures. We then obtained a listing of persons with access to the State of Tennessee Accounting and Reporting System (STARS) and the Tennessee On-line Purchasing System (TOPS). We determined if employees were still employed at the time of the listing and whether the employees' duties required the level of system access they were given. We also reviewed the level of system access to ensure that the bureau had adequate segregation of duties. We then selected a sample from the population of expenditures charged to professional and administrative services, supplies, and rentals for the entire audit period. We examined the documentation related to these expenditures to determine if the expenditures were properly supported, recorded, and approved, and whether expenditures complied with applicable laws and regulations.

As part of our testwork on the approval process, we also scanned the voucher registers and compared the approval signatures to the authorized signatures listing that was sent to the Department of Finance and Administration's Division of Accounts to determine if the registers had been properly approved. We also determined if the STARS reports were being reconciled with the voucher registers or batch information.

Based on our review and testwork, we found that

- management controls over expenditures and accounts payable were adequate;

- access to state computer applications was properly restricted;
- duties involved in the processing of expenditures and accounts payable were adequately segregated;
- expenditures were properly supported, recorded, and approved; and
- expenditures complied with applicable state laws and regulations.

Although we had no findings related to expenditures, minor weaknesses were reported to management in a separate letter.

CONFIDENTIAL BANK ACCOUNT AND SHOW MONEY

The objectives of our review of the confidential bank account and show money controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- the amount of the confidential bank account was authorized and that TBI complied with the Department of Finance and Administration's policies and procedures,
- duties assigned to employees managing the bank account were properly segregated,
- the controls over the issuance of show money were adequate,
- any expenditures were properly approved and were for authorized purposes only, and
- bank reconciliations were prepared properly and timely.

We discussed with TBI officials the purpose and nature of the confidential bank account and the duties and responsibilities involved. We contacted the Department of Finance and Administration to determine if the amount of the account was authorized. We determined if the account balance at any time during the audit period exceeded the authorized amount. We reviewed the applicable policies and procedures and determined if controls appeared adequate and the duties were properly segregated. We obtained from management a list of persons authorized to sign checks and make withdrawals and determined if adequate segregation of duties existed. We reviewed the checkbooks and receipt books used during the audit period. We investigated any missing receipts or checks and determined if the checkbooks and receipt books were used in numerical order.

We discussed with management the control procedures over the issuance of "flash rolls" or "show money" and determined if these procedures were in accordance with the Department of Finance and Administration's policies and procedures. We obtained a listing of all "show money" transactions and tested each to determine if the amount of the transaction did not exceed the maximum amount

specified in the regulations, the total time from the receipt of the cash to its later deposit did not exceed the required number of days, the “show money” request form was properly completed before the money was received, and the documentation related to the payment was proper.

We selected a nonstatistical sample of expenditures made from the confidential funds account to determine if the expenditures were for allowable purposes and were properly approved. We determined if the amount could be traced to an approved Confidential Fund Report, the expenditure was itemized on the proper form, documentation was on file if the agent had transferred confidential funds to or from another agent, and the expenditure could be traced or reconciled to the agent’s folder or case file, if applicable.

In order to determine if the bank reconciliations were prepared properly and timely, we obtained all bank statements and reconciliations for the audit period to determine if the reconciliations included a detailed listing of outstanding checks showing the check number, date, payee, and amount. We scheduled all checks which were outstanding on the reconciliation and any deposits in transit to determine the date when the checks were cleared and when the deposits were recorded in the bank. In order to determine if payments made by the state to reimburse the account were being accounted for properly, we compared the listing of all payments made by the state to reimburse the confidential funds account to the bank deposits and scheduled all deposits not on the listing. We then tested these deposits to determine if the deposits were made timely and intact.

We concluded as a result of this testwork that

- the amount of the confidential bank account was authorized and that TBI complied with the Department of Finance and Administration’s policies and procedures,
- duties assigned to employees managing the bank account were properly segregated,
- the controls over the issuance of show money were adequate,
- any expenditures were properly approved and were for authorized purposes only, and
- bank reconciliations were prepared properly and timely.

Although we had no findings in this area, we did note certain minor weaknesses that were reported to management in a separate letter.

EQUIPMENT

The objectives of our review of equipment controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- access to the Property of the State of Tennessee (POST) system was restricted to only those persons who have job duties which require it, and the level of access allowed for an adequate segregation of duties;
- property leased from the Department of Finance and Administration's Office for Information Resources (OIR) was properly safeguarded;
- the total cost of capitalizable equipment shown in POST that was acquired during the audit period reconciled to the total equipment expenditures reported in the State of Tennessee Accounting and Reporting System (STARS);
- the information in POST for bureau equipment was accurate;
- confiscated property was properly safeguarded; and
- lost or stolen equipment was reported to the Office of the Comptroller of the Treasury promptly and was removed from POST timely.

We interviewed key personnel to gain an understanding of internal controls. We reviewed with management the procedures used for confiscated money and property, including procedures for their disposal. We discussed with management the controls in place regarding the use of the safety deposit box for confiscated property and determined the adequacy of access limitations.

We obtained from the Department of General Services the most current listing of employees with access to the POST system. For those employees who have edit authority, we determined if the person was an employee as of the date of the listing, if the person's job duties required the level of access given, and if the level of access did not create an inadequate of segregation of duties.

We obtained from OIR at the Department of Finance and Administration a listing of all equipment TBI leased from OIR. From this listing, we selected a sample and tested each sample item to determine if the item could be located, the location code in POST was correct, a state tag was affixed to the equipment, the serial number and description on the equipment in POST were correct, and the equipment was physically inventoried near the end of the fiscal year ending June 30, 2000.

We scheduled all equipment items in POST costing at least \$5,000 that were acquired during the second year of the audit period, and we totaled the cost of the items. We obtained a listing of all STARS expenditures charged to equipment during the second year of the audit period and reconciled this total to the total of equipment in POST with an acquisition date within the same period.

We obtained from the Department of General Services a current listing of all equipment belonging to the bureau and selected the 11 most expensive pieces of equipment to test. In addition, we selected 15 additional items from the category of equipment costing at least \$5,000. For each sample piece of equipment, we determined the location of the equipment, the existence of a state tag on the equipment, and the accuracy of the information pertaining to the equipment in POST including the location code, serial number, tag number, cost, and acquisition date if purchased during the audit period.

We obtained a listing of all confiscated property currently being stored at TBI. From this listing, we selected a nonstatistical sample of items with an estimated value of at least \$500 and attempted to find the items and verify that the information about the items was accurate.

We obtained a listing of all equipment which was reported as lost or stolen during the audit period. For each piece of equipment, we determined if the Comptroller's Office was notified in writing within two weeks of the police report and the tag number was deleted from POST by the end of the month following the police report.

As a result of this testwork, we concluded that

- access to the POST system is restricted to only those persons who have job duties which require it, and the level of access does not create an inadequate segregation of duties;
- the total cost of capitalizable equipment shown in POST which was acquired during the audit period was reconciled to the total equipment expenditures reported in STARS;
- the information in POST for all bureau equipment was accurate;
- confiscated property was properly safeguarded; and
- lost or stolen equipment was reported to the Comptroller's Office promptly and was removed from POST timely.

Although we had no findings related to TBI equipment, minor weaknesses were reported to management in a separate letter. In addition, as a result of testwork on leased OIR equipment, we concluded that TBI has not maintained accountability for equipment leased from OIR. See finding 2.

2. The bureau did not maintain accountability over the equipment that it leased from the Office for Information Resources

Finding

The Tennessee Bureau of Investigation does not keep adequate records on the equipment, which is leased from the Office for Information Resources (OIR), and could not locate all of its leased equipment. Near the end of each fiscal year, OIR sends a memo to the bureau asking it to physically inventory each piece of leased OIR equipment. The testwork on OIR equipment currently being leased by the bureau disclosed the following discrepancies:

- a. Eleven of 25 pieces of equipment tested (44.0%) could not be located.
- b. Two of the 11 equipment items that could not be located (18.2%) also did not have documentation that they were physical inventoried for the fiscal year ending June 30, 2000, as required by OIR. The remaining nine items appear to have been lost after the June 30, 2000, physical inventory.
- c. Of the 14 equipment items that were found, 13 (92.9%) were found at a location different from the location shown in OIR's billing system.
- d. Three of the 14 items that were found (21.4%) did not have state tags.

Not maintaining a current, accurate inventory listing of OIR equipment can result in the bureau being billed for equipment no longer in its possession. It also increases the likelihood that the equipment could be lost or stolen and not detected.

Recommendation

The director should instruct his staff to follow OIR procedures to ensure that equipment records are updated when equipment is moved and that all appropriate items have a state tag attached. If it is not possible or practical to attach the state tag to the equipment, it should be placed as close as possible to the equipment in a place that is easily accessible so that someone can easily perform a physical inventory. Information about the equipment should be updated in the billing system within one month after a change is made in the location or the serial number. If equipment is missing a tag or the serial number in the billing system cannot be found, OIR should be notified in writing immediately. If equipment is surplus, the property officer should monitor the billing screens to ensure that TBI does not continue to have this equipment assigned to it. Two persons should physically locate each piece of OIR equipment assigned to TBI each year. If TBI cannot positively identify a piece, TBI officials should notify OIR in writing and request that the equipment be removed from the billing listing. Bureau personnel should monitor the monthly billings to ensure that the item is removed.

Management's Comment

We concur. An overwhelming majority of the equipment leased from OIR consists of DSU's (modems) that are used by local, state, and federal law enforcement to access critical TBI and FBI criminal data. If a DSU malfunctions, the law enforcement supported by the DSU will be unable to receive critical criminal data, thus requiring an immediate replacement of the DSU by vendors contracted by the Office of Information Resources. Unfortunately the serial numbers of the replacement units are not always forwarded to the TBI, which has resulted in serial numbers that differ from those identified in the state property system.

We fully anticipate that the Bureau's current inventory of leased equipment will be eliminated by December 31 of this year. By this date, the use of DSU's will be phased out and law enforcement within the state will have completely converted to the new telecommunications protocol.

DEFERRED REVENUE

The objectives of our review of deferred revenue controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- the funds received from the federal government were properly accounted for, and
- controls over the use of funds were proper.

We discussed with management the purpose of the deferred revenue account, specifically the origin of the funds, the reason why they were considered deferred revenue instead of current revenue, the purpose of the funds, the documentation kept to support the receipt of the funds, the method of transfer that is used to transfer the funds to the account, the type of account used to hold the funds, and the persons authorized to request the funds and the persons authorized to approve the request. With this information, we determined if there were any internal control weaknesses.

We obtained a schedule of all transactions involving the deferred revenue account and tested a nonstatistical sample of these transactions to determine if there was adequate documentation and the transaction complied with bureau procedures.

As a result of this testwork, we concluded that

- the funds received from the federal government are properly accounted for, and
- controls over the use of funds were proper.

Although we had no findings related to deferred revenue, minor weaknesses were reported to management in a separate letter.

INFORMATION SYSTEMS

The objectives of our review of information systems controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- controls over the use of and access to the bureau's computer system were adequate,
- program changes were properly approved and documented, and
- the bureau's business disaster recovery plan was sufficiently detailed.

We discussed with management the general computer controls that were in place. We reviewed the Information Systems Management (ISM) group's three-year plan to identify proposed modifications to existing applications or equipment and any new systems under development. We reviewed any new systems under development or installed since the last audit. We determined if a Management Advisory Committee (MAC) was established and met regularly during the audit period. We reviewed the bureau's current business recovery plan, determined if the plan was adequate, and determined if appropriate backup files were sent to an off-site location.

We obtained a list of employees authorized to access the various computer applications that are unique to the bureau to determine if each employee with such access was still employed by the bureau, if the employee's duties required the level of access given, and if the employee's level of access did not create an inadequate segregation of duties. We reviewed with management the situations in which a program change was made, the procedures used to limit program changes, the employees who must approve any changes, and any documentation which is kept on the program change.

As a result of this testwork, we concluded that

- controls over the use and access to the bureau's computer system were adequate,
- program changes were properly approved and documented, and
- the bureau's business disaster recovery plan was sufficiently detailed.

REVENUE

The objectives of our review of revenue controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- management controls over cash receipts and accounts receivable were adequate;
- duties involved in the processing of revenue and accounts receivable were adequately segregated;

- revenue transactions were properly approved, recorded, and reconciled in the accounting system;
- revenue transactions complied with applicable state laws and regulations; and
- write-offs of receivables complied with applicable state laws and regulations.

We discussed with management the internal controls that were in place regarding revenue and obtained an understanding of the bureau's procedures. We prepared a flowchart of all cash receipting operations to determine if duties were properly segregated. We selected a nonstatistical sample of all types of revenue transactions, and tested the sample transactions to determine whether revenue transactions were properly approved, recorded, and reconciled. We obtained a listing of all revenue transactions in which revenue was reduced and cash was paid to determine if the payment was proper and in compliance with state laws and regulations. We also obtained a list of all accounts receivable that have been written off and determined if they complied with the bureau's write-off procedures.

As a result of this testwork, we concluded that

- management controls over cash receipts and accounts receivable were adequate;
- duties involved in the processing of revenue and accounts receivable were adequately segregated; and
- revenue transactions were properly approved, recorded, and reconciled in the accounting system.

We did find in the course of our testwork on revenue reduction transactions that the bureau was violating state law by leasing office space without obtaining proper approval. This is discussed in finding 3.

3. The bureau leased office space without obtaining proper approval

Finding

The Tennessee District Attorneys General Conference leased office space in Cookeville, then sublet part of the space to the bureau. The bureau began to occupy the space in May 1999. The bureau paid the rent through the Judicial District Drug Task Force by using asset seizure funds that it was awarded for helping investigate illegal drug activity. The bureau did not request approval from the Division of Real Property Management in the Department of Finance and Administration for this lease until February 2001.

Section 12-2-114 (a), *Tennessee Code Annotated*, states the following:

When it becomes necessary for any agency of the state to lease space, the commissioner of finance and administration, through the division of real property management, shall prepare a general statement of such agency's space needs, and shall advertise such needs in a newspaper of general circulation in the city and/or county where the space is needed. The advertisement shall be run on at least one (1) occasion at least two (2) weeks before proposals are opened. The cost of such advertisement shall be borne by the state department or agency requesting the space.

The Division of Real Property Management negotiated an emergency one-year lease with the property owner, which commenced on April 1, 2001, to avoid imposing a hardship on the employees who were working in the office.

Failure to follow state law could result in the state paying too much for office space.

Recommendation

When the bureau needs additional office space, the director should ensure proper lease procedures are followed by initiating the request to the Department of Finance and Administration's Division of Real Property Management. The Division of Real Property Management can then negotiate the best possible leasing terms for the state.

Management's Comment

We concur. As noted above, this discrepancy was identified by management approximately one month prior to the audit by the Comptroller's Office, at which time the Bureau began efforts to obtain an emergency lease through the Division of Real Property Management. All future lease requirements of the TBI will be forwarded to the Commissioner of Finance and Administration, through the Division of Real Property Management.

UNIFORM CRIME REPORT

The objectives of our review of the Uniform Crime Report controls and procedures in the Tennessee Bureau of Investigation were to determine whether

- applicable laws and regulations were complied with, and
- management controls were adequate.

We reviewed Section 38-10-104, *Tennessee Code Annotated*, to gain an understanding of the requirements regarding the Uniform Crime Report and discussed with management the procedures in place to ensure compliance. We also discussed with management the procedures used to compile the annual report and determined the adequacy of the procedures. We reviewed a sample of reports received from the cities and counties across the state to determine if the follow-up efforts by the bureau were adequate.

As a result of this testwork, we concluded that applicable laws and regulations were complied with and management controls were adequate. Although we had no findings related to the Uniform Crime Report, minor weaknesses were reported to management in a separate letter.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. The Tennessee Bureau of Investigation filed its compliance reports and implementation plans on June 24, 1999, and June 8, 2000.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

On October 15, 1998, the commissioner of the Department of Finance and Administration notified all cabinet officers and agency heads that the Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

Tennessee Bureau of Investigation's allotment code is 348.00.